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THE DIRECTOR OF
CENTRAL INTELLIGENCE

8 December 1988

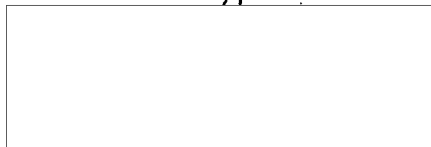
Security Evaluation Office

NOTE FOR: Mr. Barry Kelly
National Security Council
Old Executive Office Building
Room 300

Barry,

1. Attached is a draft issue paper concerning the Security Evaluation Office. This was prepared internally for the DCI and for possible subsequent use with the transition people. You may find this to be of some use to your transition activity and you are welcome to use or borrow from it as you wish.

2. Also attached is a 2 December status report that we provided the House Foreign Affairs Committee and the HPSCI staffs for their information.



STAT

Attachments:
As stated

Distribution:

- 1 - NSC/Barry Kelly
- 1 - PFIAB/Nina Stewart
- 1 - Treasury/Randall Fort
- ✓ 1 - ER
- 1 - HFH Chron
- 1 - SEO Chron/Hdqs
- 1 - SEO Chron/Key

D/SEO,



(8 Dec 88)



STAT

L-259-11

7 December 1988
D R A F T

Issue: What position should Secretary Baker and President Bush take on the October 1987 directive from President Reagan to Secretary Shultz and DCI Webster to:

- establish a unit responsible for setting security standards to protect embassies from foreign intelligence activity and monitoring compliance with those standards;
- the head of unit to be named by and to be responsible to the DCI;
- to report problems and recommendations to the Secretary of State for action;
- unit staff to be interagency in composition;
- the unit to be independent of the Bureau of Diplomatic security;
- that objective audits of overseas missions be institutionalized;
- and that the DCI report at least annually to the President and Congress on the status of security at U.S. missions.

~~CONFIDENTIAL~~

Current Status

-- DCI Security Evaluation Office established 4 April 1988.

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- Secretary of State has not instructed the Department to comply with the President's 1987 directive; Bureau of Diplomatic Security refuses to share knowledge of its standards or inspections, is trying to "freeze out" the DCI/SEO.
- State Department was asked to nominate for Deputy Director of SEO and another dozen positions.
- Deputy Director nominated and accepted but State Department ordered him not to take requisite polygraph interview. No response on request for other nominations.
- Security Evaluation Office was brought to half-strength in October 1988 and has paused in recruitment program to allow State an opportunity to reconsider and make nominations. DCI/SEO plans to be at full-strength by April 1989.
- DCI/SEO currently doing assessments of threats and vulnerabilities of embassies, developing security standards, and working with other embassy tenants on embassy counterintelligence and security problems.

Fundamental Question

President Bush must decide on validating, modifying or rescinding the 1987 directive. The question is largely one for Secretary Baker and President Bush to discuss but the DCI and the Intelligence Community have both responsibilities and capabilities involved in this decision.

Factors

- President's equities are to achieve improvements in overseas security, to ensure that there is full support by executive branch to this effort, and to ensure that he, the Secretary and Congress receive objective evaluations.
- Secretary's responsibilities are to provide security to diplomatic and consular posts, to ensure that he is fully informed of the foreign intelligence threats and vulnerabilities, and to know how his posts are complying with his security standards.
- DCI has a responsibility under the 1987 directive to provide specific support to both the President and the Secretary along these lines.

- Congress has noted State's failure to comply with the 1987 directive and both Houses are developing legislation to force better coordination and cooperation between State and the Intelligence Community and to ensure that Congress has objective reports on the status of embassy security.
- Congressional concerns about embassy security will be centered on the Moscow embassy situation; the most visible and expensive of the overseas security problems.

Options

o Rescind 1987 Directive

Pro

Relieves Diplomatic Security anxiety about oversight.

Removes State concerns that Intelligence Community is taking over State security responsibilities.

Con

Removes President's and Secretary's source of objective evaluations.

Removes structure for coordinating Intelligence Community support to State in diplomatic security.

Pro

Con

Exacerbates Congressional concerns about embassy security.

Removes obstacle to Congressional micromanagement of executive branch responsibility for embassy security.

o Modify 1987 Directive

Pro

Con

Retain SEO but place under Secretary, removing State fear that DCI is "taking over State security."

Does not provide President and Congress assurance of objective monitoring of compliance or fully coordinated Intelligence Community support.

Pro

Retain SEO but place under NSC Staff, removing State fears that DCI is "taking over State security" but retaining objectivity of monitoring.

Retain SEO under DCI control but restrict its role to "advice on security standards, when asked, and then only on selected technical issues."

Con

Not well placed for coordinating Intelligence Community support to State and puts National Security Advisor in new role, concern about his time and capability for directly influencing State or Intelligence Community.

Deprives President and Congress of objective monitoring of compliance with security standards, deprives State of coordinated Community support on standards, deals only with symptoms and parts of the security problems.

o Validate 1987 Directive

Pro

Retains capability to make all-source counterintelligence assessments of threat and vulnerability concerning embassies and developing security standards to protect them.

Retains capability to provide objective assessments on compliance with overseas security standards to Secretary, President and Congress.

Retains structure for coordinating Intelligence Community support to State for diplomatic security, the only structure for ensuring support from diverse elements of CIA, NSA, and DoD.

Con

State argument that it does not need help, that Intelligence Community is no more qualified than Bureau of Diplomatic Security.

Bureau of Diplomatic Security resentful of outsiders looking over its shoulder and reporting on compliance issues.

Latent State concerns that Intelligence Community is trying "to take over State security."

Pro

Retains organization representing full range of Intelligence Community resources, large enough to support but too small to take over State security.

Con

State argument that it does not need help, that Intelligence Community is no more qualified than Bureau of Diplomatic Security.